




County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

May 23, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer 

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Third District

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Fifth District

SACRAMENTO UPDATE

Executive Summary

This memorandum contains information on the following:

- **Pursuit of County Position on a State Budget Item.** As part of the May Revision, the Administration proposes that as the State assumes more responsibility for health care programs to shift to counties greater financial responsibility for social services programs, including CalWORKs and CalWORKs-related child care, and, if necessary, CalFresh administration costs. Therefore, unless otherwise directed by the Board, consistent with existing policy to oppose any efforts to realign additional programs and responsibilities to counties without negotiating directly with counties, and oppose the realignment of programs unless the State provides: 1) full funding, including growth from guaranteed and protected funding sources; 2) local control and program flexibility; and 3) protections that prohibit the State from increasing programmatic responsibility and costs to counties without providing adequate funding, **the Sacramento advocates will oppose the Administration's May Revision proposal to realign the CalWORKs Program, CalWORKs Child Care Programs, and CalFresh administration costs from the State to counties.**

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Pursuit of County Position on a State Budget Item

As previously reported, the May Revision includes a proposal related to the Medi-Cal expansion which would shift additional health care programs to the State and give counties more responsibility for social services programs as follows:

- **Health Programs.** Shifts the California Children's Services Program, which provides specialized services for children with severe chronic health conditions, from counties to the State. The May Revision indicates that counties would retain responsibility for providing and funding public health programs.
- **Social Services Programs.** Proposes to shift to counties greater financial responsibility for CalWORKs and CalWORKs-related child care programs, and, if necessary, CalFresh administration costs.

The Administration proposes that, over time, as the State assumes more responsibility for health care, counties take on more financial responsibility for certain social services programs consistent with the goal of strengthening local flexibility, clearly delineating the respective responsibilities of the State and counties, and allocating risk fairly.

The Administration indicates that the State currently spends \$2.3 billion on CalWORKs and CalWORKs-related child care programs. In addition to the State assuming higher costs and risk through the Medi-Cal expansion, the Administration notes that the State will take on an expanded financial role in the In-Home Supportive Services and California Children's Services programs, which counties currently spend approximately \$1.0 billion in 1991 realignment funds on these two programs.

As proposed, beginning in FY 2013-14, counties would assume fiscal responsibility for a portion of CalWORKs and CalWORKs-related child care costs in the form of a required maintenance of effort. Over time, counties would have flexibility to reinvest savings and revenue growth in self-sufficiency services. Also in FY 2013-14, counties would reimburse the California Department of Education (CDE) for costs associated with the CalWORKs Stage 2 and Stage 3 child care programs which are administered by the CDE. In FY 2014-15, the State would begin to transition contracts for CalWORKs Stage 2 and Stage 3 child care programs with Alternative Payment Programs from the CDE to the counties.

Under the proposal, program eligibility, grant levels and rates would continue to be set at the State level. The State would continue to provide funding to counties for above-average costs that result from economic downturns through the development of a formula which would tie significant increases in unemployment to caseload growth. In

addition, the State would provide funding to counties in the event of policy changes, which result in increased county costs.

The California State Association of Counties (CSAC) opposes the realignment proposal and indicates that it presents a number of insurmountable challenges to counties. CSAC points out that there are a number of existing constitutional and statutory frameworks within the 1991 Realignment Program and the 2011 Public Safety Realignment which make additional program realignment complicated. In addition, provisions of Proposition 1A of 2004 prohibit the State from transferring complete or partial financial responsibility for a required program for which it previously had complete or partial financial responsibility.

CSAC also raises several significant concerns specifically related to the realignment of the CalWORKs and CalFresh administration to counties, noting the following:

- Realignment of State and Federally-controlled programs leaves no room for local flexibility.
- 1991 Realignment revenues are countercyclical with the highest demand for CalWORKs and CalFresh services occurring at the exact time where revenues are at their lowest. In addition, the modest growth in 1991 revenues suggests that CalWORKs, child care and CalFresh caseload demand would outstrip revenues for these programs in an economic downturn.
- The Administration indicates in the proposal that the State would cover additional county costs in an economic downturn; however, the State did not provide additional funding to counties in the recent recession. Additionally, such a promise would be statutory and subject to change in the future.

According to the Legislative Analyst's Office (LAO), the realignment proposal raises concerns regarding potential increased county costs and State's mandate payment obligation. The LAO indicates that it is very difficult to forecast future costs for caseload-driven programs such as CalWORKs, child care and CalFresh. This would make it hard to ensure that redirected realignment funds are sufficient to cover costs of new responsibilities assumed by counties for these programs. If revenues fell short, counties could experience fiscal pressure to provide services and the State could be liable for mandate payment claims to the counties.

This office, the Sacramento advocates and the Department of Health Services continue to work with the Administration and the Legislature to advocate the Board's support for successful implementation of health care reform, which preserves the existing health

care safety net for the remaining uninsured, and provides for the expansion of health care coverage to newly eligible persons in January 2014. The Administration's proposed realignment of social services programs to counties proposal is unnecessarily complex and unrelated to the implementation of health care reform. Further, the proposed realignment would result in significant fiscal risks to the County.

Therefore, unless otherwise directed by the Board, consistent with existing policy to oppose any efforts to realign additional programs and responsibilities to counties without negotiating directly with counties, and oppose the realignment of programs unless the State provides: 1) full funding, including growth from guaranteed and protected funding sources; 2) local control and program flexibility; and 3) protections that prohibit the State from increasing programmatic responsibility and costs to counties without providing adequate funding, **the Sacramento advocates will oppose the Administration's May Budget Revision proposal to realign the CalWORKs Program, CalWORKs Child Care Programs, and CalFresh administration costs from the State to counties.**

WTF:RA
MR:VE:ma

c: All Department Heads
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